



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** March 4, 2008

**TO:** Finance Committee

**FROM:** Administration Division, Finance Department

**SUBJECT:** Telecommunications Utility Users Tax

### RECOMMENDATION:

That the Finance Committee discuss issues and options and give staff direction on next steps on efforts to avert the potential loss of approximately \$3.8 million derived from the City's Utility Users Tax on Telecommunications.

### DISCUSSION:

On February 21, 2008, the City Council held a work session on the potential risks to the City's telecommunications utility users tax (UUT). At the UUT work session staff:

- Provided background information – what is the utility users tax?
- Explained the potential exposure - why is the city at risk of losing virtually all of its \$3.8 million in telecommunications Utility Users Tax?
- Described services at risk – what services might be affected by the loss of this revenue?
- Presented options – what can we do?
- Discussed next steps and timelines for policy decisions and seek general direction on how to proceed.
- Proposed, that following the Council work session staff would work with the Ordinance and Finance Committees to craft recommendations.

The Council expressed an interest in placing a ballot measure before the voters in November, 2008 to update the City's telecommunications UUT ordinance. Doing so would protect against potential legal risks to this critical revenue source as well as updating the ordinance's 1970's language to reflect rapidly changing telecommunications technology. The City's telecommunications UUT tax, in place since the 1970's, provides almost \$4

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REVIEWED BY: \_\_\_\_\_ Finance \_\_\_\_\_ Attorney

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million of critical revenue with 50% supporting the City's streets programs and the other 50% supporting essential General Fund services such as police, fire, parks and recreation and library.

As a result of the work session, the Council agreed to ask the Ordinance Committee to review a modern draft telecommunications UUT "model ordinance." Staff plans to bring the draft model ordinance to the Ordinance Committee within the next 30 days.

Part of the process to update the telecommunications UUT is for the Finance Committee to explore financial impacts and options and give staff direction. The Council asked the Finance Committee to review the financial impacts of both the potential loss of this critical revenue source as well as of modernizing the ordinance language to ensure that the tax is applied equally to all technologies,,, continues to keep pace with rapidly changing technology and recognizes the market's shift to fixed-fee calling plans and other marketing trends that simplify billing and reduce costs.

The input and recommendations derived from the Ordinance and Finance Committees will be presented to the City Council at a later date.

**PREPARED BY:** Robert D. Peirson, Finance Director

**SUBMITTED BY:** James L. Armstrong, City Administrator